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THE PRESIDENTIAL FINDING

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Let me begin by stating the obvious. Iran is one of the most important states in the Middle East. Its strategic location and oil resources make it a country of critical significance to U.S. and western interests in the area.

It is also a longstanding Soviet target. Soviet interest is reflected in the fact that they have twice established short-lived independent communist republics in Northern Iran since World War I. Soviet interest in Iran has not waned and we know that they are working hard to extend their influence with the present regime and possible successors.

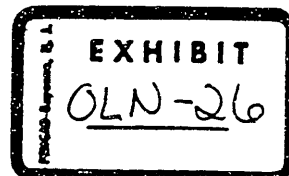
The U.S. has been trying to reestablish official contact with Iran and develop a working relationship ever since the Islamic revolution. We have tried to do so because Iran is, quite simply, a geopolitical force which neither we, nor the Soviets, can afford to ignore.

We also must not forget the hostages. The simple fact of the matter is that U.S. citizens are being held by terrorist groups over which Iran has some influence. We have an obligation to do what we can to move Iran away from terrorism and to get our fellow citizens back.

It was against that backdrop that the President signed a Finding on 17 January directing the CIA to provide operational and logistical support for a program aimed at (1) establishing a more moderate government in Iran, (2) obtaining intelligence to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of American hostages held in Beirut and preventing further terrorist acts by these groups.

The Finding stated that the USG will provide moderate elements within the Government of Iran with arms, equipment and related materiel in order to enhance the credibility of these elements in their efforts to achieve a more moderate government in Iran by demonstrating their ability to obtain resources to defend their country.

In the Finding, the President directed the CIA to refrain from reporting the Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until otherwise directed.



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At the time the Presidential Finding was signed, the CIA's Office of General Counsel advised me that the President clearly has the authority to withhold prior notice of operations from the Congress. Section 501 of the National Security Act expressly provides that notification of intelligence activities to the Congress shall be provided "to the extent consistent with all applicable authorities and duties, including those conferred by the Constitution."

The Act also states that the Intelligence Committees be given timely notice of activities, for which no prior notice was given. This was a clear recognition that extraordinary circumstances could lead the President to conclude that notice of an operation should be withheld in whole or in part, until an appropriate time as determined by the President.

The history to the oversight act clearly recognizes the accommodation that was reached on this issue. The subsequent procedures agreed upon by the DCI and the SSCI on reporting covert action operations provide that advance reporting of such operations would be subject to the exceptional circumstances contemplated in Section 501 of the National Security Act.

The President determined that the activities authorized by the Finding justified withholding prior notification due to the extreme sensitivity of the dialogue being established. In addition, had the fact of this program become known, the American hostages in Lebanon would be put at a greater risk.

That's the legal justification for not informing Congress. The reason why Congress was not informed was, quite simply, a very real concern for the lives of those carrying out the operation. That concern, particularly when you have people travelling to Iran, was not exaggerated.

Earlier experience in conducting secret talks with Iranian officials showed the risk involved should the fact of such discussions become public. In 1979, President Carter's National Security Advisor Zbigniew Brzezinski held such talks with then Iranian Prime Minister Bazargan. Following the public disclosure of those contacts, radical students took over the American Embassy in Tehran, taking the staff hostage, and the Bazargan Government fell.

Throughout the course of the activities undertaken by the CIA to fulfill the directives of this Finding, only a handful of officials were involved. Current procedures involving

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notification of the oversight committees would have required that two or three times as many individuals be informed than were aware of the activity within the CIA. This is the only Finding since the signature of the 1980 oversight act that has not been briefed to the Committees. In fact, the only other Finding that has not been briefed since the inception of the oversight process was the Iranian hostage rescue mission.

Now I would like to explain exactly what activities were undertaken by the CIA in carrying out the directives of this Finding signed on 17 January 1986.

CHRONOLOGY

In late November 1985, the NSC asked CIA for the name of a discreet, reliable airline which could assist the Israelis in transporting a planeload of Israeli Hawk missiles to Iran. The name of our proprietary airline was given to the NSC which, in turn, passed it to one of the intermediaries dealing with the Iranians.

That intermediary, who was unwitting of CIA's involvement with the airline, hired the airline to transport a Boeing 707 load of weapons from Tel Aviv to Tehran. The airline was paid the normal commercial rate which amounted to approximately \$127,700. The people in the proprietary did not know what was being shipped.

When senior CIA management learned that this had occurred, it was decided that a Finding was necessary before the Agency could provide any future support of this type.

That was the only CIA support provided prior to the Finding.

On 26 January, a CIA officer (Charlie Allen) provided limited, general information [REDACTED]

[REDACTED] This information was provided to the Iranian intermediary (Ghorbanifar) for passage to Iranian officials.

On February 5-7, U.S. officials (NSC), a representative of the Israeli Prime Ministry (Amiram Nir), and a senior-level Iranian official [REDACTED]

[REDACTED] met in Germany. At this meeting, the Iranians agreed that, if the USG would provide TOW missiles to Iran, the Iranians would [REDACTED] The U.S. agreed to explore this possibility and, working with the Israelis,

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established the following mechanism for transfer of the weapons:

--The Iranian intermediary (Ghorbanifar) would deposit funds in a European account.

--The funds would then be transferred to a sterile U.S.-controlled account in an overseas bank.

--Using these funds, the CIA would work with the Army Logistics Command to obtain the material. This type of activity, conducted under the Economy Act, is the routine method for obtaining U.S. military materiel for CIA Covert Action Operations from DoD. None of the working level DoD personnel involved were aware of the eventual destination of the weapons.

--The materiel was then transported to Israel for future shipment to Iran.

Using the procedures stipulated above, \$3.7 million was deposited in the CIA account in Geneva on February 11, 1986 for the purchase of 1,000 TOW missiles and associated costs.

On 15 February, Office of Logistics personnel delivered the 1000 TOW missiles to Kelly Air Force Base. The missiles were then transported to Israel for onward shipment to Iran. CIA was not involved in the transportation of this shipment.

On February 19-21, U.S. and Iranian officials (NSC and CIA) met again in Germany to discuss problems in arranging a meeting among higher-level officials.

On 24 February, the same U.S. officials traveled to Germany where they met with the intermediary and an Iranian Government official. At that meeting, the Iranian official provided a list of varying quantities of approximately 240 different spare parts needed for the Hawk missile batteries provided by the USG to Iran during the Shah's reign. The Iranian official asked for USG assistance in obtaining these spare parts as additional proof that this channel had the approval of the highest authority in the USG.

On 25 February, the U.S. officials provided the Iranians with limited, vague information

On March 7, U.S. (CIA and NSC) and Israeli representatives met with the Iranian intermediary in Paris to determine whether

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any further progress was possible in arranging for a high-level meeting with U.S. and Iranian officials. During these meetings, the intermediary emphasized the deteriorating economic situation in Iran and Iranian anxieties regarding increasing Iraqi military effectiveness.

Throughout March and April, the Office of Logistics worked with DoD to clarify the items on the Iranians' list of spare parts and identify which items were in DoD stocks. We were informed that the Iranians had agreed that high level Iranian officials would meet with a USG team that would come to Tehran with the spare parts.

The escalation of tensions with Libya, leading up to the April 14 strike, prevented further dialogue from taking place until the Iranians urged the intermediary (Ghorbanifar) to accelerate the effort in late April, 1986. At that point, the Iranian expatriate advised us that the leadership in Tehran was prepared to commence a secret dialogue with the United States along the lines of our established goals.

Based on assurances that we could at last meet face-to-face with top-level Iranian officials, on May 15, the President authorized a secret mission to Tehran by former National Security Advisor McFarlane, accompanied by a CIA annuitant, a CIA communicator, members of the NSC staff, and the Israeli and Iranian interlocutors.

On 16 May 1986, the Iranians provided \$6.5 million for Hawk spare parts and an additional 508 TOW missiles. The receipt of the Iranian funds set into motion arrangements for the planned visit to Iran as follows:

- The Office of Communications provided secure communication equipment and the services of a communications officer to travel into Iran with the U.S. team.

- The Office of Technical Services was tasked to provide ten [REDACTED] passports for use by the team and the air crew of the aircraft that would fly from Israel to Tehran. The Iranians insisted on the use of non-U.S. passports. [REDACTED] passports were chosen because the aircraft used for the journey carried [REDACTED] registration numbers.

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--The Office of logistics assembled the available Hawk missile spare parts at Kelly Air Force Base. The parts were then transported to Israel, but the CIA was not involved in their transfer.

--The Office of Logistics delivered 508 TOW missiles to Kelly Air Force Base for onward shipment to Israel. CIA was not involved in their shipment.

On 25 May the U.S. team traveled to Tehran via Israel. The CIA provided two members of the team--a communications officer and a Farsi speaking annuitant with considerable experience in Iranian affairs. The annuitant provided translation services and advice to the team. He continued to be involved in subsequent meetings with Iranian representatives.

The U.S. team brought several aircraft pallet loads of Hawk missile spare parts with them to Tehran at the time of the meeting. However, it was decided that the greater portion of the spare parts would stay in Israel for later delivery to Iran pending further progress in establishing the dialogue. We understand that those spare parts were ultimately delivered to Iran.

The U.S. team also provided the Iranians with [REDACTED]

On 19 September three Iranians travelled to the U.S. for detailed discussions with ~~NCS~~ officials. These discussions reaffirmed the basic objectives of the U.S. in seeking a political dialogue with Tehran. We also provided [REDACTED] designed to discourage an Iranian offensive and contribute to an Iranian decision to negotiate an end to the war. [REDACTED]

Throughout August and September, numerous additional meetings were held in Europe between U.S. representatives and the new Iranian contacts in an effort to develop the dialogue authorized by the Presidential Finding.

On 6 October, those Iranians traveled to Frankfurt for meetings with the U.S. team. [REDACTED]

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On 26 October, more meetings were held in Frankfurt with the same participants.

During the October 26, 1986 meeting in Frankfurt, Germany, the U.S. side, as in the past, insisted that the release of the hostages was a pre-requisite to any progress. The Iranians urged that we take a more active role in support [redacted] and suggested again that, if we could provide additional TOW weapons to Iran, [redacted]

The Iranians also proffered, and the U.S. accepted, the offer of a Soviet T-72 tank [redacted] That tank should be in our hands shortly.

On 2 November, the Iranians provided \$2.037 million and the Office of Logistics procured 500 more TOW missiles from DoD.

Those missiles were delivered by the Office of Logistics to Kelly Air Force Base on 5 November. A USAF C-141 aircraft carried the missiles to [redacted] where they were transhipped to a CIA air proprietary aircraft which carried the missiles to Israel.

On 9 November, the U.S. team held another meeting with one of the Iranian officials from the Iranian team.

This brings the record of CIA involvement in these activities authorized by the 17 January 1986 Presidential Finding up to date as of the present time. We should note that none of the weapons came from CIA stocks.

We have received no requests from the NSC to acquire any more materiel of any type for shipment to Iran under this program.

I would like to reiterate that the funds for the procurement of the materiel enumerated above, as well as for all associated costs, were provided by the Iranians themselves. Funding from Iran was transferred to CIA for deposit in a covert funding mechanism. This action provided secure means for control, payment, and accountability of all funding associated with this program. The funds provided by Iran, a total of \$12,037,000, remained in a special account in a Swiss bank, and costs were paid directly from the account.

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The only costs incurred by the CIA in this activity were expenses for the travel of CIA officers involved in the various meetings, the costs of hotel rooms [REDACTED] for the two October meetings held in Germany, and operational support [REDACTED] amounting to approximately \$48,000. The costs for this support have been charged against normal operational accounts. Since all travel by CIA officials is routinely charged to such accounts, to do otherwise in the case of the trips undertaken during this program would have compromised the security of the activities.

LEGALITY OF ARM SHIPMENTS

Questions which have appeared in the media as to the legality of the arms shipments raise the question as to whether or not the CIA was responding to a legal order.

At the time the Presidential Finding was signed, applicable legal authorities were reviewed and it was determined that there is clear and ample authority for the President to approve transfers outside the context of the Foreign Assistance Act and Arms Export Control Act. Those laws were not intended and have not been applied by Congress to be the exclusive means for sale, loan or provision of U.S. military equipment to foreign governments.

CIA's legal authority to furnish U.S. military equipment to foreign governments on a covert basis is based on language contained in Section 102 (d) of the National Security Act of 1947, which provides that it shall be the duty of the CIA, under NSC direction, to perform services of common concern for the benefit of intelligence agencies and to perform "such other functions and duties relating to intelligence affecting the national security as the National Security Council may from time to time direct." In short, it is clear that legal authority exists for CIA to transfer U.S. military equipment abroad outside the foreign military sales and assistance statutory framework when the activity is in furtherance of a legitimate and authorized CIA mission; that is, a special activity or intelligence collection operation.

This fundamental and underlying legal conclusion has been arrived at by the CIA Office of General Counsel and has been confirmed by the Attorney General. A transfer is legal.

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therefore, if we can show that the transfer is in the furtherance of an approved and legitimate intelligence activity and, for covert action, that there is a signed Presidential Finding covering the activity as provided by the Hughes-Ryan Amendment.

The next question is how the CIA obtains the materiel it needs in order to meet those legitimate intelligence interests. CIA's legal authorities permit it to obtain military equipment if it is available on the open market. If that is not the case, or if the equipment cannot be provided as conveniently or cheaply by a commercial enterprise, CIA can utilize the Economy Act to obtain the necessary items from the Department of Defense. Of course, transfers of U.S. military equipment in general ought to be, and are in fact, made to foreign governments under the U.S. foreign assistance program. However, it is important to point out that any decision to have CIA supply U.S. military equipment inherently involves a determination that the foreign military assistance framework is inappropriate for that purpose. Obviously, the very purpose and nature of the operation for which CIA's extraordinary authorities have been utilized are incompatible with the concept underlying overt U.S. foreign aid programs.

Let me assure you that at the time the decision to go forward with the Presidential Finding for this sensitive operation was made, these legal authorities were reviewed in order to ensure that this Agency was in full compliance with the law.

CONCLUSION:

Let me make it perfectly clear that it was apparent to all that this initiative was a controversial one. Even those of us who supported going forward understood that it was a close call and a risky operation. There were no illusions.

Was it a reasonable call? Yes, I think it was. As the health of Khomeini has declined over the past year, we have seen an increase in factional infighting in Tehran. This infighting has been sharpened by severe economic problems, as well as the war with Iraq. There have been numerous arrests. This factional infighting has implications for both the United States and the Soviet Union. It was the Administration's

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judgement, that any powerful Iranian faction seeking to reestablish ties with the West and willing to attempt to curtail Iranian support for terrorism was worth talking to.

It was in that context that the judgement was made that providing a small amount of defensive weapons would give this faction some leverage in the internal struggle by suggesting that there were advantages in contacts with the West.

As I stated earlier, Iran is not going to go away. Its geographic and strategic position guarantee that it will remain a geopolitical force which the U.S. will have to deal with. If we do not establish ties to the various Iranian factions now, we will be faced with the problem of doing so later. It is that simple.

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